

shall have been true and correct as of such date) except for such inaccuracies in the representations and warranties referred to in this clause (ii) that do not have, and are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect;

(b) The Company and the other Investor shall have performed, satisfied and complied in all material respects with all of their respective covenants and agreements set forth in this Agreement and each of the other Transaction Documents to be performed, satisfied and complied with prior to or at the Closing;

(c) The Company shall have delivered to the Investors an officer's certificate certifying as to the Company's compliance with the conditions set forth in clauses (a) and (b) of this Section 5.2;

(d) The Company and the other Investor shall have executed and delivered the Registration Rights Agreement, the Registration Rights Agreement shall be in full force and effect and there shall exist no breach of, or default under, the Registration Rights Agreement;

(e) The Company and the other Investor shall have executed and delivered the Stockholders Agreement, the Stockholders Agreement shall be in full force and effect and there shall exist no breach of or default under the Stockholders Agreement;

(f) All of the Transaction Documents shall be in full force and effect and there shall exist no breach of, or default under, any of the Transaction Documents by the Company, excluding any breach by such Investor;

(g) The Amended and Restated Certificate of Incorporation substantially in the form of Exhibit D hereto, as it may be revised pursuant to the mutual agreement of the parties hereto in accordance with Section 4.19(b) to reflect the terms of the Class E Common Stock as set forth on Exhibit G, shall have been duly filed by the Company with the Secretary of State of the State of Delaware and shall be effective, provided that if, despite their compliance with Section 4.19(b) hereof, the parties hereto cannot agree upon revisions to the Certificate of Incorporation to reflect the terms of the Class E Common Stock as set forth on Exhibit G, this condition shall be satisfied by the filing of the Amended and Restated Certificate of Incorporation substantially in the form attached hereto as Exhibit D;

(h) There shall be no outstanding shares of the Class B Common Stock;

(i) All Consents required in connection with the transactions contemplated by this Agreement and the other Transaction Documents shall have been obtained except where the failure to have obtained any such Consent would not, individually or in the aggregate, have a Material Adverse Effect;

(j) The Class A Common Stock shall be listed on the NMS or the New York Stock Exchange and the New Common Shares and the Conversion Shares shall have been approved for listing on the NMS or such other national securities exchange, subject to notice of issuance; provided, however, this Section 5.2(j) shall be deemed waived if the Investors do not

permit the Company to take any actions reasonably necessary to meet any applicable listing requirements regarding a minimum number of stockholders;

(k) Either (i) the Bank Credit Facility shall be in form and substance reasonably acceptable to such Investor, shall be in full force and effect, there shall exist no breach of or default under the Bank Credit Facility and any and all fees and expenses paid or payable to any commercial bank or any other financial institution in connection with any amendments to the Bank Credit Facility shall be reasonably acceptable to each Investor or (ii) the Amended Bank Credit Facility shall be in form and substance reasonably acceptable to such Investor, shall be in full force and effect, there shall exist no breach of or default under the Amended Bank Credit Facility and any and all fees and expenses paid or payable to any commercial bank or any other financial institution in connection with entering into the Amended Bank Credit Facility shall be reasonably acceptable to each Investor;

(l) Upon the Closing, after giving effect to the issuance of the New Common Shares pursuant to the terms of this Agreement, the complete capital structure of the Company shall be the New Capitalization in all material respects;

(m) If a Bankruptcy Case is commenced, (i) the Bankruptcy Plan shall be in form and substance reasonably satisfactory to such Investor in all material respects and shall have been approved by the Bankruptcy Court pursuant to the Confirmation Order, (ii) the Confirmation Order shall be in form and substance reasonably satisfactory to such Investor in all material respects and shall be final and non-appealable and (iii) all other material orders of the Bankruptcy Court in respect of the Restructuring shall be final and non-appealable;

(n) (i) Except as may be rendered moot by the entry of the Confirmation Order, no Litigation shall have been instituted before any court or Governmental Entity seeking to restrain, modify or prevent the consummation of the transactions contemplated by this Agreement and the other Transaction Documents; and (ii) no Litigation shall have been instituted against the Company or for which the Company would be required to indemnify any Person before any court or Governmental Entity that, in the reasonable opinion of such Investor, would reasonably be expected to have a Material Adverse Effect;

(o) (i) Daniel F. Akerson shall continue to be employed by the Company as the Chief Executive Officer and shall not have expressed any intention to leave the Company and (ii) each of the following positions at the Company shall be held either by the person who holds such position on the date hereof or another person acceptable to each Investor and none of the persons employed in such positions shall have expressed any intention to leave the Company; provided, however, that it is understood that the persons employed in such positions as of the date hereof are acceptable to each Investor: President and Chief Operating Officer, Chief Financial Officer, Chief Technology Officer, Chief Marketing Officer; General Counsel, Senior Vice President – Market Sales Operations and Senior Vice President – National Accounts, Sales & Marketing;

(p) Except as expressly contemplated by Exhibit A or Exhibit H, the Company shall not have made and shall have no obligation (other than obligations theretofore waived by

the recipient) to make any payment, issue any securities or make any distribution of any kind or nature whatsoever under the Plans in connection with or as a result of the consummation of the transactions contemplated by this Agreement and the other Transaction Documents (including, without limitation, any severance or other payment to any person upon termination of such person's employment with the Company or any Subsidiary, whether such termination occurs before, upon or after the Closing) because such payment, issuance or distribution is not required by the terms of the Plans, the party entitled to receive such payment, securities or distribution has waived its rights thereto or otherwise or the obligation to make such payment has been terminated by the Confirmation Order, provided that, in connection with or as a result of the consummation of the transactions contemplated by this Agreement and the other Transaction Documents, the Company and the Subsidiaries shall have the right to make payments under and pursuant to the Retention Bonus Plan in an amount not to exceed \$35.0 million less the total aggregate amount of all bonuses and other amounts paid or payable under and pursuant to the 2001 Bonus Plan;

(q) A Business Plan that is reasonably acceptable to such Investor shall have been adopted by the Company;

(r) Since the date hereof, there shall not have occurred any event, circumstance, condition, fact, effect or other matter which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect (i) on the business, operations, assets, financial condition, prospects, or results of operations of the Company and its Subsidiaries taken as a whole (a "Material Adverse Effect") or (ii) on the ability of the Company and such Subsidiaries to perform any material obligation under this Agreement or the other Transaction Documents or to consummate the transactions contemplated by this Agreement and the other Transaction Documents; provided, however, that any event, circumstance, condition, fact, effect, or other matter that would otherwise constitute a Material Adverse Effect shall not constitute a Material Adverse Effect if the material adverse effect thereof shall have been eliminated or rendered moot by the Confirmation Order;

(s) All Regulatory Approvals that are required in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents, shall have been obtained by a Final Order (or waived in whole or in part, which waiver will not be unreasonably withheld, in a writing executed by such Investor, unless such a waiver is prohibited by law), other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect or be unreasonably burdensome to any Investor, and all parties shall have complied with the conditions, if any, imposed in connection with the grant of the Regulatory Approvals, other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect or be unreasonably burdensome to any Investor; provided, that no Investor shall be required to accept or comply with any material condition that would be unreasonably burdensome or that would have a material adverse effect on it or on the value of the Company and shall not be obligated to effect the transactions contemplated by the Transaction Documents if such conditions are imposed;

(t) As of the Closing, the total amount of any and all fees, commissions, expenses, and other amounts paid or payable by the Company and the Subsidiaries to any Person,

including, without limitation, any and all broker, agent, accounting firm, investment bank, other financial advisor, commercial bank, other financial institution, law firm or public relations firm in connection with any of the transactions contemplated by this Agreement or the other Transaction Documents ("Transaction Fees") shall not exceed \$45.0 million; provided that Transaction Fees shall (A) include any and all fees, expenses and other amounts (including, without limitation, legal fees and expenses, but excluding amounts paid to settle Litigation or as judgments or other awards in connection with Litigation) not covered by liability or other insurance and payable by the Company or any Subsidiary in connection with any Litigation brought by stockholders of the Company or derivatively on behalf of, or in the name of, the Company related to the Company, its business, its governance, its securities regulatory disclosure practices, the purchase or sale of any of the Company's equity or debt securities, the Investment or the Restructuring Transaction and (B) exclude (1) the Company's obligations to pay Expenses pursuant to Section 8.2 and (2) any and all fees (but not reimbursable expenses, including, without limitation, fees and expenses of counsel) paid or payable to any commercial bank or any other financial institution in connection with any amendments to the Bank Credit Facility or entering into the Amended Bank Credit Facility; and provided further that nothing in this Section 5.2(t) shall limit the Company's obligation to pay Expenses pursuant to Section 8.2;

(u) Any and all Litigation pending or threatened against the Company or its Affiliates, officers, directors, employees, representatives, attorneys and agents, and any and all Litigation pending or threatened against either Investor or its respective Affiliates, officers, directors, managers, partners, members, stockholders, employees, representatives, attorneys and agents, related to the Company, its business, its governance, its securities regulatory disclosure practices, the purchase or sale of any of the Company's equity or debt securities, the Investment or the Restructuring Transaction, shall have been resolved in a manner that is satisfactory to each Investor in its sole discretion; provided that neither Investor shall be able to assert the failure of this condition to be satisfied solely as a result of pending Ordinary Course Litigation; and

(v) The bylaws of the Company, substantially in the form attached hereto as Exhibit E (the "Bylaws"), shall have been adopted by the Board of Directors and shall be in full force and effect.

5.3. Conditions to Obligations of the Company. The obligation of the Company to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by the Company at or prior to the Closing of each of the following conditions:

(a) Each of the representations and warranties of each Investor contained in this Agreement shall be true and correct when made and as of the Closing (except to the extent such representations and warranties are made as of a particular date, in which case such representations and warranties shall have been true and correct as of such date), except for failures to be true and correct which individually or in the aggregate would not have a material adverse effect on the ability of such Investor to consummate the transactions contemplated hereby;

(b) Each Investor shall have performed, satisfied and complied in all material respects with all of its covenants and agreements set forth in this Agreement to be performed, satisfied and complied with on or prior to the Closing Date;

(c) Each Investor shall have delivered to the Company an officer's certificate certifying as to such Investor's compliance with the conditions set forth in clauses (a) and (b) of this Section 5.3;

(d) Each Investor shall have executed and delivered the Registration Rights Agreement and the Stockholders Agreement to the Company, the Registration Rights Agreement and the Stockholders Agreement shall each be in full force and effect and there shall exist no breach of or default under either of the Registration Rights Agreement or the Stockholders Agreement;

(e) If a Bankruptcy Case is commenced, (i) the Bankruptcy Plan shall have been approved by the Bankruptcy Court pursuant to the Confirmation Order without material modifications or conditions and (ii) the Confirmation Order shall have become final and non-appealable; and

(f) All Regulatory Approvals that are required in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents, shall have been obtained by a Final Order (or waived in whole or in part in a writing executed by the Company, unless such a waiver is prohibited by law), other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect, and all parties shall have complied with the conditions, if any, imposed in connection with the grant of the Regulatory Approvals, other than Regulatory Approvals the absence of which would not reasonably be expected to have a Material Adverse Effect; provided that no Investor shall be required to accept or comply with any material condition that would be unreasonably burdensome or that would have a material adverse effect on it or on the value of the Company and shall not be obligated to effect the transactions contemplated by the Transaction Documents if such condition is imposed.

## ARTICLE VI

### TERMINATION

6.1. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of the Company and each Investor;

(b) by either Investor, but only with respect to its own rights and obligations hereunder and not those of the other Investor, if the Closing shall not have been consummated on or before September 15, 2002; provided, that in the event all of the conditions set forth in Article V other than the condition set forth in Section 5.2(s) regarding Regulatory Approvals hereof shall

have been satisfied or waived by the parties hereto on or before September 15, 2002, then the termination right set forth in this clause (b) shall not be available to either Investor until the earlier of (i) January 15, 2003 and (ii) the date on which the Company shall notify each Investor in writing that the Regulatory Approvals cannot be obtained; provided, further, that in the event all of the conditions set forth in Article V other than the condition set forth in Section 5.2(s) regarding Regulatory Approvals hereof shall have been satisfied or waived by the parties hereto on or before September 15, 2002 and the condition set forth in Section 5.2(s) regarding Regulatory Approvals hereof shall have been satisfied or waived by the parties hereto in all respects other than receipt of a Final Order on or before January 15, 2003, then the termination right set forth in this clause (b) shall not be available to either Investor until the earlier of (i) March 15, 2003 and (ii) the date on which the Company shall notify each Investor in writing that the Final Order has been denied; provided, further, that in the event either Investor elects, pursuant to Section 1.2, to delay the Closing beyond the third day following satisfaction or waiver of all of the conditions set forth in Article V hereof, any of the dates set forth in this clause (b), as applicable, shall be extended by the actual number of days of such delay;

(c) by either Investor, but only with respect to its own rights and obligations hereunder and not those of the other Investor, if the other Investor or the Company shall have breached any of its respective representations, warranties, covenants or other agreements contained in this Agreement, which breach constitutes or would reasonably be expected to have a Material Adverse Effect and cannot reasonably be expected to be cured by the Closing;

(d) by either Investor, but only with respect to its own rights and obligations hereunder and not those of the other Investor, if any event, circumstance, condition, fact, effect, or other matter has occurred or exists which (i) would, or would be reasonably likely to give rise to the failure of any of the conditions to the obligations of such Investor set forth in Section 5.1 or Section 5.2; and (ii) cannot be or has not been cured within 20 days after the giving of written notice to the Company and the other Investor;

(e) by either Investor, but only with respect to its own rights and obligations hereunder and not those of the other Investor, if the Company has not complied with its obligations under Section 6.3(b) relating to obtaining Bankruptcy Court approval of the Company's obligations to pay the Break-Up Payment and Expenses (including the timing of the filing of a motion and proposed order related thereto that is acceptable to each Investor in all respects) or if the Bankruptcy Court has not issued an order approving such obligations, in substance reasonably satisfactory to such Investor, within 45 days following commencement of the Bankruptcy Case;

(f) by either Investor if the other Investor has terminated this Agreement;

(g) by either Investor or the Company if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued a final and nonappealable order, judgment or decree or taken any other action having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement;

(h) by the Company if (i) the Board of Directors determines in good faith that termination of this Agreement is necessary in order for the Company to accept any Proposal or (ii) the Bankruptcy Court has ordered the Company to terminate this Agreement in order to accept any Proposal, provided that the Company shall have the right to terminate this Agreement pursuant to clause (i) above only if it has complied in all material respects with all of the provisions of Section 4.13, including the notice provisions thereof, and in any event it shall comply in all material respects with the requirements of Sections 6.3 and 8.2 relating to the payment (including the timing of any payment) of Expenses and the Break-Up Payment prior to termination of this Agreement pursuant to this Section 6.1(h);

(i) by either Investor, but only with respect to its rights and obligations hereunder and not those of the other Investor, if the Company enters into a written agreement with respect to any Proposal;

(j) by the Company, if either Investor terminates its rights and obligations under this Agreement pursuant to this Section 6.1 and the other Investor shall not have agreed, within 10 Business Days of receipt of notice of such termination from the terminating Investor (the delivery of such notice being a condition precedent to any termination under this Section 6.1(j)) to exercise its rights to assume all of the rights and obligations of the terminating Investor pursuant to Section 8.5(b);

(k) by the Company, if the Closing shall not have been consummated on or before the date specified in Section 6.1(b), including the extensions provided for in each of the three provisos contained therein, if applicable;

(l) by the Company, if either Investor shall have breached in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach cannot reasonably be expected to be cured by the Closing; provided, that the non-breaching Investor (if there is one) shall not have agreed, within 10 Business Days of receipt of notice from the Company of the determination that such breach cannot reasonably be expected to be cured by the Closing (the delivery of such notice being a condition precedent to any termination under this Section 6.1(l)), to waive such breach and exercise its rights to assume all of the rights and obligations of the breaching Investor pursuant to Section 8.5(b); and

(m) by the Company, if any material event, circumstance, condition, fact, effect or other matter has occurred or exists which (i) would, or would be reasonably likely to give rise to the failure of any of the conditions to the obligation of the Company set forth in Section 5.1 or 5.3; and (ii) cannot be cured within 20 days after the giving of written notice to each Investor.

6.2. Effect of Termination. Subject to Section 8.5(b), in the event of the termination of this Agreement by any party pursuant to Section 6.1, this Agreement shall forthwith become void as to such terminating party and there shall be no liability on the part of any party hereto (or any stockholder, director, officer, partner, employee, agent, consultant or representative of such party) to the party that has terminated this Agreement, except as set forth in this Section 6.2, provided, that nothing contained in this Agreement shall relieve any party

from liability for any breach of this Agreement; and provided, further, that this Section 6.2 and Sections 7.1, 7.2, 8.1, 8.2, 8.5, 8.6, 8.7, 8.8, 8.11, 8.12, 8.13 and 8.14 shall survive termination of this Agreement by any party.

6.3 Break-Up Payment. (a) The Company shall pay or cause to be paid to each Investor a payment (the "Break-Up Payment") equal to one percent (1%) of the implied, pre-money enterprise value of the Company if the Company proposes to terminate this Agreement under Section 6.1(h) or both Investors elect to terminate this Agreement pursuant to Section 6.1(i). The parties agree that the implied, pre-money enterprise value of the Company shall be determined using the accounting methods and principles and valuation methodology set forth on Schedule 6.3(a). The payment of the Break-Up Payment, in same day funds, to each Investor, shall (i) be a condition precedent to the effectiveness of any termination by the Company of this Agreement under Section 6.1(h) or (ii) be made by the Company promptly, but in no event later than the third Business Day following delivery of notice by either Investor to the Company that either Investor has elected to terminate this Agreement pursuant to Section 6.1(i); provided, however, that in the event the Company is engaged in a Bankruptcy Case, the timing of the payment of the Break-Up Payment shall, in all events, be in accordance with the Break-Up Payment Order.

(b) In the event a Bankruptcy Case is commenced, the Company shall promptly, but in no event later than three Business Days after commencement of such Bankruptcy Case, take all action reasonably necessary to obtain approval from the Bankruptcy Court of the Company's obligation to pay the Expenses and the Break-Up Payment to each Investor in accordance with the terms of this Section 6.3. Any and all motions and other documents filed by the Company in connection with its obligations under this Section 6.3 must be reasonably acceptable to each Investor. Furthermore, to the extent that the Company seeks to establish bidding or similar procedures in connection with any Proposal, such procedures (and any and all motions and other documents filed by the Company in connection therewith) must, subject to applicable fiduciary duties of the Board of Directors, be reasonably acceptable to each Investor in all respects.

(c) The Company acknowledges and agrees that (i) the payment of the Break-Up Payment is an integral part of the transactions contemplated by this Agreement, (ii) in the absence of the Company's obligations to make this payment, neither Investor would have entered into this Agreement and (iii) subject to the proviso to the last sentence of Section 6.3(a), time is of the essence with respect to the payment of the Break-Up Payment. The Company accordingly agrees that in the event that the Company fails to pay the Break-Up Payment in accordance with this Section 6.3 promptly, the Company will, in addition to the payment of such amount, also pay to each Investor all of its reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred by such Investor in the enforcement of its rights under this Section 6.3, together with interest on such amount accruing from the date of such failure at a rate of 10% per annum from the date upon which such payment was due, to and including the date of payment.



ARTICLE VII  
SURVIVAL AND LOSSES

7.1. Survival. The representations and warranties of the parties hereto contained in this Agreement or in any of the other Transaction Documents shall expire on the three-year anniversary of the Closing Date, except that the representations and warranties set forth in Section 2.13 shall expire on the earlier of (i) the expiration of the statute of limitations applicable to the substance of such representation or warranty or (ii) the five-year anniversary of the Closing Date, in each case except to the extent a party has asserted a claim in accordance with this Article VII for breach of any such representation or warranty prior to the expiration of such period, in which event any representation or warranty to which such claim relates shall survive with respect to such claim until such claim is resolved as provided in this Article VII. After the expiration of such periods, any claim by a party hereto based upon any such representation or warranty shall be of no further force or effect. The covenants and agreements of the parties hereto contained in this Agreement and in any of the other Transaction Documents shall survive the Closing until performed in accordance with their terms.

7.2. Losses. (a) The Company shall indemnify, defend and hold harmless each Investor, their Affiliates, and their respective officers, directors, partners, members, managers, employees, agents, representatives, successors and assigns (each an "Investor Covered Person") from and against any and all Losses incurred or suffered by an Investor Covered Person (whether incurred or suffered directly or indirectly through ownership or proposed ownership of Common Stock, membership on the Board of Directors or any committee thereof or otherwise) arising from or in connection with any Litigation threatened, commenced or pending by any direct or indirect stockholder of the Company (whether in the name of the Company or otherwise).

(b) An Investor Covered Person seeking indemnification under this Section 7.2 shall, promptly upon becoming aware of the facts indicating that a claim for indemnification may be warranted, give to the Company a notice of claim relating to such Loss (a "Claim Notice"). Each Claim Notice shall specify the nature of the claim, and, if possible, the amount or the estimated amount thereof. No failure or delay in giving a Claim Notice and no failure to include any specific information relating to the claim (such as the amount or estimated amount thereof) shall affect the obligation of the party from whom indemnification is sought.

ARTICLE VIII  
MISCELLANEOUS

8.1. Defined Terms; Interpretations. (a) The following capitalized terms, as used in this Agreement, shall have the following meanings:

"Affiliate" shall have the meaning ascribed thereto such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"Agreement" shall have the meaning ascribed thereto in the preamble.

"Amended and Restated Certificate of Incorporation" shall mean the Amended and Restated Certificate of Incorporation attached hereto as Exhibit D, which shall be revised and completed in accordance with Section 4.19.

"Amended Bank Credit Facility" shall mean a bank credit facility under which the Company is the borrower, in effect as of the Closing as a replacement to the Bank Credit Facility, which provides for a term loan or term loans and revolving loans.

"Assuming Investor" shall have the meaning ascribed thereto in Section 8.5(b).

"Bank Credit Facility" shall mean the Credit and Guarantee Agreement, dated as of February 3, 2000, among Nextlink, certain subsidiaries of Nextlink, various Lenders (as defined therein), Goldman Sachs Credit Partners, L.P., as Syndication Agent, Toronto Dominion (Texas), Inc., as Administrative Agent, Barclays Bank plc and The Chase Manhattan Bank, as Co-Documentation Agents, and TD Securities, together with Goldman Sachs Credit Partners, L.P., the Joint Lead Arrangers, and all ancillary agreements entered into pursuant to the terms thereof, each as amended as of the Closing.

"Bankruptcy Case" shall mean all legal proceedings, if any, instituted in a United States Bankruptcy Court in connection with the Restructuring or otherwise involving the Company, and any of its Affiliates, as debtor.

"Bankruptcy Code" shall mean Title 11 of the United States Code, 11 U.S.C. §101, et seq., as now in effect or hereafter amended.

"Bankruptcy Court" shall mean the United States Bankruptcy Court or other U.S. federal court of competent jurisdiction in which the Bankruptcy Case is pending.

"Bankruptcy Plan" shall mean either the Prepackaged Plan or the Pre-negotiated Plan, whichever may be filed in connection with the Bankruptcy Case.

"Board of Directors" shall mean the Board of Directors of the Company.

"Break-Up Payment" shall have the meaning ascribed thereto in Section 6.3(a).

"Break-Up Payment Order" shall mean an order of the Bankruptcy Court approving the Break-Up Payment.

"Business Day" shall mean any day other than a Saturday or Sunday which is not a day on which banking institutions in New York City are authorized or obligated by law or executive order to close.

"Business Plan" shall mean the business plan of the Company, as approved by each Investor prior to the Closing, which approval shall not be unreasonably withheld, and as the same may be amended from time to time in accordance with the Stockholders Agreement.

"Bylaws" shall have the meaning ascribed thereto in Section 5.2(v).

"Capital Lease" shall mean a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Change of Control" shall mean the occurrence of any of the following events:

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total outstanding voting stock of the Company;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors or other governing body of the Company (together with any new directors whose election to such Board of Directors or whose nomination for election by the stockholders of the Company was approved by a vote of  $66\frac{2}{3}\%$  of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved), cease for any reason to constitute a majority of such Board of Directors then in office;

(iii) the Company consolidates with or merges with or into any Person, or any Person consolidates with or merges with or into the Company, and immediately following the consummation of such transaction the holders of the outstanding common stock of the Company immediately prior to such transaction hold less than 50% of the outstanding common stock and the combined voting power of the outstanding voting securities of (x) the surviving Person in such transaction or (y) the Person into whose securities the outstanding common stock of the Company was converted in such transaction or whose securities were otherwise issued to holders of the outstanding common stock of the Company in such transaction;

(iv) the Company sells, transfers, conveys, leases or otherwise disposes of all or substantially all of its assets in one transaction or a series of related transactions; or

(v) the Company is liquidated or dissolved or adopts a plan of liquidation or dissolution.

"Claim Notice" shall have the meaning ascribed thereto in Section 7.2(b).

"Class A Common Stock" shall have the meaning ascribed thereto in Section 1.1.

"Class B Common Stock" shall have the meaning ascribed thereto in Section 2.3.

"Class C Common Stock" shall have the meaning ascribed thereto in Section 1.1.

"Class D Common Stock" shall have the meaning ascribed thereto in Section 1.1.

"Class E Common Stock" shall have the meaning ascribed thereto in Section 4.19(a).

"Closing" shall have the meaning ascribed thereto in Section 1.2(a).

"Closing Date" shall have the meaning ascribed thereto in Section 1.2(a).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commitments" shall have the meaning ascribed thereto in Section 2.11.

"Common Stock" shall have the meaning ascribed thereto in Section 2.3 and shall include, as the context may require, Class A Common Stock, Class B Common Stock and all common stock now or hereafter authorized to be issued (including, without limitation, the Class C Common Stock and Class D Common Stock), and any and all securities of any kind whatsoever of the Company which may be exchanged for or converted into Common Stock, and any and all securities of any kind whatsoever of the Company which may be issued on or after the date hereof in respect of, in exchange for, or upon conversion of shares of Common Stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of the Company or otherwise.

"Communications Act" shall mean the Communications Act of 1934, as amended, and the rules and regulations (including those issued by the FCC) promulgated thereunder.

"Communications License" or "Communications Licenses" shall have the meaning ascribed thereto in Section 2.9(a).

"Company" shall have the meaning ascribed thereto in the preamble.

"Company Licensed Intellectual Property" shall have the meaning ascribed thereto in Section 2.15.

"Company Owned Intellectual Property" shall have the meaning ascribed thereto in Section 2.15.

"Confidential Information" shall have the meaning ascribed thereto in the Forstmann Little Confidentiality Agreement.

"Confirmation Order" shall mean the order entered by the Bankruptcy Court in the Bankruptcy Case confirming the Bankruptcy Plan pursuant to Section 1129 of the Bankruptcy Code. The Confirmation Order shall provide, among other things, that (i) the sale of Common Stock pursuant to this Agreement shall be free and clear of all liens, claims, interests, rights of others or encumbrances of any kind, (ii) an express finding that the Company and each Investor have acted in good faith, and (iii) the issuance of Common Stock to creditors under the Bankruptcy Plan is exempt from registration under the Securities Act.

"Consents" shall have the meaning ascribed thereto in Section 4.4(a).

"Contractual Management Rights Letter" shall have the meaning ascribed thereto in Section 4.6(b).

"Conversion Shares" shall mean shares of Class A Common Stock issuable upon conversion of the Class C Common Stock and Class D Common Stock into Class A Common Stock pursuant to the Amended and Restated Certificate of Incorporation, and any and all securities of any kind whatsoever of the Company which may be issued on or after the date hereof in respect of, in exchange for, or upon conversion of shares of Class A Common Stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of the Company or otherwise.

"Customer Base" shall mean those Persons to which the Company or the Subsidiaries provide telecommunications service.

"DGCL" shall mean the Delaware General Corporation Law.

"Encumbrance" shall mean, with respect to any Person, any mortgage, lien, pledge, charge, claim, option, proxy, voting trust, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Environmental Law" shall mean any foreign, federal, state or local law, statute, regulation, rule, ordinance, decree, or any other requirement of law (including common law) regulating or relating to the protection of human health and safety or the environment, including, but not limited to, laws relating to releases or threatened releases of Hazardous Materials into the environment.

"Environmental Permits" shall mean all federal, state, local and foreign franchises, approvals, authorizations, franchises, licenses, orders, registrations, certificates, filings, variances, notices and other similar permits or rights obtained from any Governmental Entity, related to any Environmental Law.

"Equity VI" shall mean Forstmann Little & Co. Equity Partnership VI, L.P., a Delaware limited partnership.

"Equity VII" shall have the meaning ascribed thereto in the preamble.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any trade or business, whether or not incorporated, which together with the Company would be deemed a "single employer" within the meaning of Section 4001(b) of ERISA.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934, as amended, shall include reference to the comparable section, if any, of any such successor federal statute.

"Expenses" shall have the meaning ascribed thereto in Section 8.2.

"Expired Policies" shall have the meaning ascribed thereto in Section 2.17.

"FCC" shall mean the Federal Communications Commission and any successor Governmental Entity.

"FCC Licenses" shall have the meaning ascribed thereto in Section 2.9(a).

"Final Order" shall mean an order or determination by the FCC or other regulatory authority (including State PUCs) (w) that is not reversed, stayed, enjoined, set aside, annulled or suspended within the deadline, if any, provided by applicable statute or regulation, (x) with respect to which no request for stay, motion or petition for reconsideration, application or request for review, or notice of appeal or judicial petition for review that is filed within the period referred to in clause (w) above is pending, (y) as to which the deadlines, if any, for filing such request, motion, petition, application, appeal or notice have expired, and (z) as to which the deadlines, if any, for the entry by the FCC or other regulatory authority of orders staying, reconsidering or reviewing on its own motion such order or determination have expired; provided, however, that if the statutes and rules applicable to the regulatory authority do not specify deadlines for the regulatory authority to enter such orders, this clause (z) shall not apply to the orders or determinations of that regulatory agency.

"FL Fund" shall mean FL Fund, L.P., a Delaware limited partnership.

"Forebearance Agreement" shall mean that certain Forebearance Agreement, by and between the Company, the lenders under the Senior Credit Facility and certain Subsidiaries of the Company, dated December 14, 2001, as in effect as of the date hereof.

"Foreign Licenses" shall have the meaning ascribed thereto in Section 2.9(a).

"Foreign Competition Approvals" shall mean all consents, authorizations, approvals, waivers, filings and other actions required by any Governmental Entities related to antitrust or competition Laws in connection with the transactions contemplated by this Agreement and the other transactions documents.

"Forstmann Little" shall have the meaning ascribed thereto in the preamble.

"Forstmann Little Confidentiality Agreement" shall mean the Confidentiality Agreement, dated as of September 27, 2001, between the Company and FLC XXXI Partnership, L.P., a Delaware limited partnership doing business as Forstmann Little & Co., which is an affiliate of Forstmann Little.

"GAAP" shall have the meaning ascribed thereto in Section 2.5.

"Governmental Entity" shall mean any supernational, national, foreign, federal, state or local judicial, legislative, executive, administrative or regulatory body or authority.

"Guaranty" shall mean, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing (whether by reason of being a general partner of a partnership or otherwise) any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such indebtedness or obligation or any property constituting security therefor; (b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation; (c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or (d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof. In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Materials" shall mean any substance or material that is classified or regulated as "hazardous" or "toxic" or similar designation pursuant to any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls, petroleum and urea-formaldehyde insulation.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"Indebtedness" shall mean, with respect to any Person, at any time, without duplication, (a) its liabilities for borrowed money; (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property); (c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases; (d) all liabilities for borrowed money secured by any Encumbrance with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); (e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); (f) Swaps of such Person; and (g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

"Intellectual Property" shall mean the United States and foreign trademarks, service marks, trade names, trade dress, domain names, logos, business and product names, and

slogans including registrations and applications to register or renew the registration of any of the foregoing; copyrights and registrations or renewals thereof; United States and foreign letters patent and patent applications, including all reissues, continuations, divisions, continuations-in-part or renewals or extensions thereof; inventions, processes, designs, formulae, trade secrets, know-how, confidential business and technical information; software and computer programs of any kind whatsoever (including without limitation all modeling software in both source code and object code versions) and all documentation relating thereto; Internet websites; mask works and other semiconductor chip rights and registrations or renewals thereof; and all other intellectual property and proprietary rights, tangible embodiments of any of the foregoing (in any form or medium including electronic media), and licenses of any of the foregoing.

"Investment" shall have the meaning ascribed thereto in Section 1.1.

"Investor Covered Person" shall have the meaning ascribed thereto in Section 7.2(a).

"Investor Press Announcement" shall mean any press releases and public filings made by an Investor between the date hereof and the Closing Date and referring to the Company, the other Investor, this Agreement or any of the other Transaction Documents, or any of the transactions contemplated thereby.

"Investor Reimbursement Cap" shall have the meaning ascribed thereto in Section 8.2.

"Investors" shall have the meaning ascribed thereto in the preamble.

"IRS" shall mean the United States Internal Revenue Service.

"IRU Agreement" shall have the meaning ascribed thereto in Section 2.20(d).

"Knowledge", with respect to the Company, shall mean the knowledge of Daniel F. Akerson, Noelle Beams, Gary D. Begeman, Douglas Carter, Peter Campbell, Mark Coppersmith, Nathaniel Davis, Mark Faris, Reese Feuerman, Nancy Gofus, Scott Macleod, Cathy Massey, Richard Montfort, Wayne Rehberger, Michael Ruley, R. Gerard Salemme, Charles Sackley, Laura Thomas and Joseph Zarella or any such persons and the knowledge that any of the foregoing persons would have after due and reasonable inquiry and investigation.

"Laws" shall mean all foreign, federal, state, and local laws, statutes, ordinances, rules, regulations, orders, judgments, decrees and bodies of law.

"Licenses" shall have the meaning ascribed thereto in Section 2.10.

"Litigation" shall have the meaning ascribed thereto in Section 2.7(a).

"Local Authorizations" shall have the meaning ascribed thereto in Section 2.9(a).



"Losses" shall mean each and all of the following items: claims, losses, (including, without limitation, losses of earnings) liabilities, obligations, payments, damages (actual or punitive but not consequential), charges, judgments, fines, penalties, amounts paid in settlement, costs and expenses (including, without limitation, interest which may be imposed in connection therewith, costs and expenses of investigation, Litigation, demands, assessments and fees, expenses and disbursements of counsel, consultants and other experts).

"Management Shares" shall have the meaning ascribed thereto in Section 4.19.

"Material Adverse Effect" shall have the meaning ascribed thereto in Section 5.2(r).

"Material Terms" shall have the meaning ascribed thereto in Section 4.1(b)(x).

"MBO VII" shall mean Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership VII, L.P., a Delaware limited partnership.

"MBO VIII" shall have the meaning ascribed thereto in the preamble.

"Network Facilities" shall have the meaning ascribed thereto in Section 2.20(b).

"Network Maps" shall have the meaning ascribed thereto in Section 2.20(a).

"New Capitalization" shall mean the total capitalization of the Company as set forth on Exhibit A hereto, including, without limitation, the Management Shares, but excluding shares of Class A Common Stock issued or issuable upon exercise of options issued under the New Employee Stock Option Plan.

"New Common Shares" shall have the meaning ascribed thereto in Section 1.1.

"New Employee Stock Option Plan" shall mean a stock option plan having terms and conditions outlined in Exhibit H hereto, and otherwise reasonably satisfactory in form and substance to each of the Investors.

"New Forstmann Little Shares" shall have the meaning ascribed thereto in Section 1.1.

"New Outstanding Equity" shall mean the total outstanding equity securities of the Company immediately after giving effect to the Restructuring and the Investment, excluding any options outstanding under a New Employee Stock Option Plan approved by the Investors, but including but not limited to, all outstanding Common Stock.

"New Policy" shall have the meaning ascribed thereto in Section 4.1(b)(x).

"New Telmex Shares" shall have the meaning ascribed thereto in Section 1.1.

"Nextlink" shall mean NEXTLINK Communications, Inc., a Delaware Corporation and the predecessor to the Company.

"1999 Stock Purchase Agreement" shall mean the Stock Purchase Agreement, dated as of December 7, 1999, by and between Equity VI, MBO VII, FL Fund, and Nextlink.

"NMS" shall have the meaning ascribed thereto in Section 4.5.

"Old Policy" shall have the meaning ascribed thereto in Section 4.1(b)(x).

"Operational Plan" shall mean the revised financial projections and business plan prepared by the Company and its advisors for presentation to the lenders under the Bank Credit Facility, a copy of which has been provided by the Company to each of the Investors.

"Ordinary Course Litigation" shall mean Litigation arising in the ordinary course of business of the Company and the Subsidiaries relating to the business and operations of the Company and the Subsidiaries which satisfies all of the following criteria:

(i) Such Litigation which would not, or would not reasonably be expected to have, either individually or in the aggregate, (x) a Material Adverse Effect or (y) a material adverse effect upon any officer or director of the Company or upon either Investor or any Affiliate, officer, director, manager, partner, member, stockholder, employee, representative, attorney or agent of either Investor;

(ii) The plaintiffs, claimants or other Persons commencing or pursuing such Litigation do not include any direct or indirect stockholders of the Company or of any Subsidiary or any representatives of any such stockholders suing in such capacity;

(iii) Such Litigation is not, and does not include, in whole or in part, a derivative or similar claim or action brought by or on behalf of, or in the name of, the Company or any Subsidiary;

(iv) Such Litigation does not arise out of or relate to, in whole or in part, the governance or securities regulatory disclosure practices of the Company, the direct or indirect purchase or sale of any debt or equity securities of the Company or any Subsidiary, the Investment or the Restructuring Transaction; and

(v) Such Litigation does not include, in whole or in part, any claim or allegation of (i) breach of fiduciary duty by the Company or any director, officer, employee or stockholder of the Company or (ii) breach of any federal, state or foreign securities or blue sky laws.

"Permitted Encumbrances" shall mean: any Encumbrance (x) permitted under the Bank Credit Facility, (y) permitted under any Amended Bank Credit Facility, or (z) securing Indebtedness ranking *pari passu* with the Bank Credit Facility or any Amended Bank Credit Facility.

"Person" shall mean any individual, firm, corporation, limited liability company, partnership, company, trust or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Plan" shall mean each collective bargaining agreement, employment agreement or severance agreement, and any bonus, pension, post-retirement benefit, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, medical, dental or other plan, arrangement or understanding providing compensation or benefits generally to current employees, officers, independent contractors, or directors of the Company or any of the Subsidiaries, including without limitation, the Retention Bonus Plan and all other plans, agreements, arrangements and understandings set forth on Schedule 2.14(a)(i).

"Preferred Stock" shall have the meaning ascribed thereto in Section 2.3.

"Pre-negotiated Plan" shall have the meaning ascribed thereto in Section 4.12(a)(iii).

"Prepackaged Approach" shall have the meaning ascribed thereto in Section 4.12(a)(ii).

"Prepackaged Plan" shall have the meaning ascribed thereto in Section 4.12(a)(i)(B).

"Proposal" shall have the meaning ascribed thereto in Section 4.13(a).

"Public Debt" shall mean the Company's (a) 12 ½% Senior Notes due 2006, (b) 9 5/8% Senior Notes due 2007, (c) 9% Senior Notes due 2008, (d) 9.45% Senior Discount Notes due 2008, (e) 10 ¾% Senior Notes due 2008, (f) 10 ¾% Senior Notes due 2009, (g) 12 ¼% Senior Discount Notes due 2009, (h) 10 ½% Senior Notes due 2009, (i) 12 1/8% Senior Discount Notes due 2009, (j) 12 ¾% Senior Notes due 2007, and (k) 5 ¾% Convertible Subordinated Notes due 2009.

"Purchase Price" shall have the meaning ascribed thereto in Section 1.1.

"Registration Rights Agreement" shall have the meaning ascribed thereto in the recitals.

"Regulatory Approvals" shall mean all approvals, consents (including consents to assignments of permits and rights of way), waivers, certificates, and other authorizations required to be obtained from the FCC, any State PUCs or any other federal, state, foreign or municipal communications regulatory agency having jurisdiction over the Company's or either Investor's business in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents.

"Replacement Policies" shall have the meaning ascribed thereto in Section 2.17.

"Required Consents" shall mean such consents or agreements of creditors and security holders as shall be required to effectuate the Restructuring Transaction.

"Restructuring" shall have the meaning ascribed thereto in Section 4.12(a).

**"Restructuring Transaction"** shall mean any transaction, filing, case, action or event or other series of transactions, filings, cases, actions or events (including, without limitation, an exchange offer, a consent solicitation, a Prepackaged Plan, a Pre-negotiated Plan or any other Bankruptcy Case), whereby the completion of which, as evidenced by a Final Order, if applicable, the Company, in all material respects, shall have effectuated the Restructuring.

**"Retention Bonus Plan"** shall mean the NEXTLINK Communications, Inc. Change of Control Retention Bonus and Severance Pay Plan, as filed with the SEC as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

**"SEC"** shall mean the United States Securities and Exchange Commission and any successor Governmental Entity.

**"SEC Reports"** shall have the meaning ascribed thereto in Section 2.4.

**"Securities Act"** shall mean the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Act shall include reference to the comparable section, if any, of such successor federal statute.

**"Series A Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Series B Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Series C Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Series D Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Series E Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Series F Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Series G Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Series H Preferred Stock"** shall have the meaning ascribed thereto in Section 2.3.

**"Stockholders Agreement"** shall have the meaning ascribed thereto in the recitals.

**"Significant Subsidiaries"** shall have the meaning ascribed thereto in Section 2.1(b).

**"State Licenses"** shall have the meaning ascribed thereto in Section 2.9(a).

**"State PUCs"** shall mean the state and local public service and public utilities commissions and agencies, commissions, and similar bodies performing similar functions.

"Subsidiaries" shall mean the collective reference to the Significant Subsidiaries and all other direct or indirect subsidiaries of the Company.

"Swaps" shall mean, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency.

"Tax" shall mean any tax, assessment or other governmental charge imposed by any federal, state, provincial, local government or other political subdivision or agency thereof, including any income, alternative minimum, accumulated earnings, personal holding company, franchise, capital stock, profits, windfall profits, gross receipts, sales, use, value added, transfer, registration, stamp, premium, excise, customs duties, severance, real property, personal property, ad valorem, occupancy, license, occupation, employment, payroll, social security, disability, unemployment, workers' compensation, withholding, estimated or other similar tax, assessment or other governmental charge, including penalties, interest and additions thereto.

"Tax Return" shall mean any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

"Telmex" shall have the meaning ascribed thereto in the preamble.

"Telmex Confidentiality Agreement" shall mean the letter agreement, of even date herewith, between Telmex and the Company, regarding the disclosure of information concerning the Company.

"Third Party Consents" shall have the meaning ascribed thereto in Section 2.8.

"Transaction Documents" shall mean this Agreement, the Amended and Restated Certificate of Incorporation, the Bylaws, the Stockholders Agreement, the Registration Rights Agreement, the Bankruptcy Plan, if applicable, and all other contracts, agreements, schedules, certificates and other documents being delivered pursuant to or in connection with this Agreement.

"Transaction Fees" shall have the meaning ascribed thereto in Section 5.2(t).

"Transferring Investor" shall have the meaning ascribed thereto in Section 8.5(b).

"2000 Stock Purchase Agreement" shall mean the Stock Purchase Agreement, dated as of June 14, 2000, by and between Equity VI, MBO VII, FL Fund, and Nextlink.

"2000 10-K" shall have the meaning ascribed thereto in Section 2.1(b).

"2001 Bonus Plan" shall have the meaning ascribed thereto in Section 4.1(b)(xi).

(b) For all purposes of this Agreement, unless otherwise expressly provided or unless the context requires otherwise:

- (i) the terms defined in this Section 8.1 and elsewhere in this Agreement may include both the plural and singular, as the context may require;
- (ii) the words "*herein*", "*hereto*" and "*hereby*", and other words of similar import, refer to this Agreement as a whole and not to any particular Article, Section or other subdivision of this Agreement;
- (iii) unless otherwise specified, references to Articles, Sections, paragraphs, clauses, subclauses, subparagraphs, Exhibits and Schedules are references to Articles, Sections, paragraphs, clauses, subclauses, subparagraphs, Exhibits and Schedules of this Agreement;
- (iv) the words "*including*" and "*include*" and other words of similar import shall be deemed to be followed by the phrase "*without limitation*";
- (v) any reference herein to a statute, rule or regulation of any governmental entity (or any provision thereof) shall include such statute, rule or regulation (or provision thereof), including any successor thereto, as it may be amended from time to time; and
- (vi) whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice versa.

8.2. Fees and Expenses. The Company shall pay, or cause to be paid, to the Investors, all of their reasonable, documented, out-of-pocket costs and expenses incurred in connection with the transactions contemplated by this Agreement and the other Transaction Documents, including, without limitation, all fees and expenses (a) incurred in connection with evaluating such transactions, conducting a due diligence investigation of the Company and the Subsidiaries, negotiating and documenting this Agreement and the other Transaction Documents, taking all actions reasonably necessary or appropriate to consummate such transactions (including, without limitation, the Investment and the Restructuring Transaction) and enforcing any provision of this Agreement or any other Transaction Document, (b) of law firms, investment banking firms, accountants, public relations firms, experts, consultants and all other Persons engaged by an Investor and (c) incurred in connection with any regulatory filings, including filings under the HSR Act, the Communications Act, the Securities Act and the Exchange Act, any foreign antitrust or competition Laws and with the State PUCs and non-U.S. regulatory authorities (collectively "Expenses"); provided that the Company shall have no obligation to reimburse the Investors for any Expenses pursuant to this Section 8.2 in an amount in excess of \$14,000,000 in the aggregate (the "Investor Reimbursement Cap"), except that Expenses (including, without limitation, legal fees) incurred by the Investors in enforcing any provision of this Agreement or any other Transaction Document shall not be subject to the Investor Reimbursement Cap. Subject to approval of the Bankruptcy Court, if applicable, the Company shall pay Expenses to an Investor promptly following receipt by the Company of documentation for any such Expenses, which such Investor may, at its option, deliver to the Company on an "as-incurred" basis.

8.3. Restrictive Legends. No New Common Shares may be transferred without registration under the Securities Act and applicable state securities laws unless counsel to the Company shall advise the Company that such transfer may be effected without such registration. Each certificate representing any of the foregoing shall bear legends in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE  
HAVE NOT BEEN REGISTERED UNDER THE SECURITIES  
ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE  
AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF  
EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION  
STATEMENT UNDER SUCH ACT AND APPLICABLE STATE  
SECURITIES LAWS OR AN APPLICABLE EXEMPTION TO  
THE REGISTRATION REQUIREMENTS OF SUCH ACT OR  
SUCH LAWS.

8.4. Further Assurances. At any time or from time to time after the Closing, the Company, on the one hand, and each Investor, on the other hand, agree to cooperate with each other, and at the request of the other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby or by the other Transaction Documents and to otherwise carry out the intent of the parties hereunder or thereunder.

8.5. Successors and Assigns. (a) This Agreement shall bind and inure to the benefit of the Company and each Investor and their respective successors, permitted assigns, heirs and personal representatives, provided that the Company may not assign its rights or obligations under this Agreement to any Person without the prior written consent of each Investor, and provided, further, that neither Investor may assign its rights or obligations under this Agreement to any Person without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed; provided, further, that notwithstanding the foregoing, either Investor may assign its rights and obligations hereunder to one of its Affiliates; provided, that no such assignment to an Affiliate shall release the party making such assignment from any of its obligations under this Agreement. For the purpose of clarity, the Company may withhold consent to any transfer by either Investor to any Person (including without limitation, an Affiliate of such Investor), if such assignment would reasonably be expected to result in the Company incurring a significant delay in obtaining the Regulatory Approvals.

(b) Notwithstanding anything to the contrary contained in Section 8.5(a) or elsewhere in this Agreement, if (i) one Investor (but not both Investors) terminates this Agreement pursuant to Section 6.1(b), 6.1(c), 6.1(d), 6.1(e), 6.1(i) or 6.1(n) or (ii) the Company proposes to terminate this Agreement pursuant to Section 6.1(l) as a result of a breach of a representation, warranty, covenant or other agreement made by one Investor in this Agreement, the non-terminating Investor in the case of clause (i) above and the non-breaching Investor in the case of clause (ii) above (such non-terminating Investor or such non-breaching Investor, the "Assuming Investor") shall have the right, in its sole discretion, without the consent of the

terminating Investor in the case of clause (i) above or the breaching Investor in the case of clause (ii) above (such terminating Investor or such breaching Investor, the "Transferring Investor") or, in the case of clauses (i) and (ii) above, the Company, to assume the rights and obligations of the Transferring Investor under this Agreement and the other Transaction Documents to which it is a party and, except as expressly provided in Section 6.1(j), the Company shall have no right to terminate this Agreement or any other Transaction Document solely as a result thereof; provided, however, that an Assuming Investor shall have no obligation or liability to the Company or any other Person for any breach by the Transferring Investor of any representation, warranty, covenant or agreement made by such Transferring Investor pursuant to this Agreement or any other Transaction Document; and provided further that the Company shall have no right to terminate this Agreement as a result of any breach by the Assuming Investor of any representation, warranty, covenant or agreement made by such Assuming Investor pursuant to this Agreement or any other Transaction Document which breach arises solely as a result of the termination of this Agreement by the Transferring Investor.

8.6. Entire Agreement. This Agreement and the other Transaction Documents and paragraph 4 of the Letter Agreement, dated November 21, 2001, between Telmex and Forstmann Little & Co. contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or understandings with respect thereto; provided, that the Forstmann Little Confidentiality Agreement and the Telmex Confidentiality Agreement will remain in full force and effect in accordance with their terms.

8.7. Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by telecopy, nationally recognized overnight courier or first class registered or certified mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by such party to the other parties:

(i) if to the Company, to:

XO Communications, Inc.  
11111 Sunset Hills Road  
Reston, VA 20190  
Attn: Gary D. Begeman, Esq.

with a copy to:

Willkie Farr & Gallagher  
787 Seventh Avenue  
New York, NY 10019  
Telecopy: (212) 728-8111  
Attn: Bruce R. Kraus, Esq.

(ii) if to Forstmann Little, to:



c/o Forstmann Little & Co.  
767 Fifth Avenue  
New York, NY 10153  
Attention: Sandra J. Horbach

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson  
One New York Plaza  
New York, NY 10004  
Telecopy: (212) 859-4000  
Attention: Stephen Fraidin, Esq.

(iii) if to Telmex, to:

Teléfonos de México, S.A. de C.V.  
Parque Via 190, Piso 10  
Colonia Cuauhtémoc  
06599 México, D.F.  
Attention: Lic. Javier Mondragon Alarcon

with a copy to:

Latham & Watkins  
885 Third Avenue  
Suite 1000  
New York, NY 10022-4802  
Telecopy: (212) 751-4864  
Attention: Charles M. Nathan, Esq.

All such notices, requests, consents and other communications shall be deemed to have been given or made if and when delivered personally or by overnight courier to the parties at the above addresses or sent by electronic transmission, with confirmation received, to the telecopy numbers specified above (or at such other address or telecopy number for a party as shall be specified by like notice). Any notice delivered by any party hereto to any other party hereto shall also be delivered to each other party hereto simultaneously with delivery to the first party receiving such notice.

8.8. Amendments. The terms and provisions of this Agreement may be modified or amended, or any of the provisions hereof waived, temporarily or permanently, in a writing executed and delivered by the Company and each Investor. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar). No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

8.9. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

8.10. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

8.11. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW, OTHER THAN THE CHOICE OF LAW PRINCIPLES OF SUCH STATE.

8.12. Submission to Jurisdiction. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware and of the United States of America, in each case located in New Castle County, for any Litigation arising out of or relating to this Agreement or the other Transaction Documents and the transactions contemplated hereby and thereby (and agrees not to commence any Litigation relating hereto or thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in this Agreement shall be effective service of process for any Litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of this Agreement or the transactions contemplated hereby in the courts of the State of Delaware or the United States of America, in each case located in the New Castle County, hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum.

8.13. Waiver Of Jury Trial. THE COMPANY AND THE INVESTORS HEREBY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS.

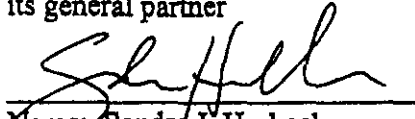
8.14. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement  
as of the date first above written.

Investors

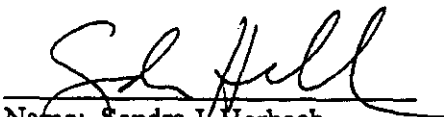
FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP VII, L.P.

By: FLC XXXII Partnership, L.P.  
its general partner

By:   
Name: Sandra J. Horbach  
Title: General Partner

FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT  
BUYOUT PARTNERSHIP VIII, L.P.

By: FLC XXXIII Partnership, L.P.  
its general partner

By:   
Name: Sandra J. Horbach  
Title: General Partner

TELÉFONOS DE MÉXICO, S.A. DE C.V.

By: \_\_\_\_\_  
Name:    :  
Title:    :

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By: FLC XXXII Partnership, L.P.  
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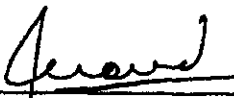
By: \_\_\_\_\_  
Name: Sandra J. Horbach  
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By: \_\_\_\_\_  
Name: Sandra J. Horbach  
Title: General Partner

TELÉFONOS DE MÉXICO, S.A. DE C.V.

By:  \_\_\_\_\_  
Name: Francisco Javier Mondragon  
Title: General Counsel

XO COMMUNICATIONS, INC.

By: Daniel F. Akerson

Name: Daniel F. Akerson

Title: Chairman and Chief Executive  
Officer